



**Blue Grass Energy
Cooperative Corporation**

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1201 Lexington Road
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March 7, 2006

RECEIVED

MAR - 9 2006

PUBLIC SERVICE
COMMISSION

Beth O'Donnell, Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, KY 40602

RE: Case No. 2005-00499

Dear Ms. O'Donnell,

Enclosed is the Affidavit of Mailing of Hearing Notice regarding the application of the fuel adjustment clause from May 1, 2005 through October 31, 2005 for Blue Grass Energy Cooperative Corporation in the above referenced case.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Donald Smothers".

J. Donald Smothers
Vice President, Financial Services

alp
Enclosure

AFFIDAVIT OF MAILING
OF HEARING NOTICE

Notice is hereby given that the March issue of
KENTUCKY LIVING, bearing the official notice of hearing of PSC
Case No. 2005-00499, concerning the application of the fuel adjustment clause
from May 1, 2005, through October 31, 2005, for BLUE GRASS
ENERGY COOPERATIVE CORPORATION, was entered as direct mail at
Danville, Kentucky, on February 25, 2006.



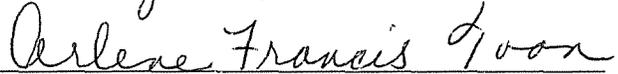
Anita Travis Richter
Managing Editor
Kentucky Living

County of Jefferson
State of Kentucky

Sworn to and subscribed before me, a Notary Public,
this 3rd day of March, 2006.

My commission expires

January 10, 2008



Notary Public, State of Kentucky

P.O. Box 32170
Louisville, Kentucky 40232

4515 Bishop Lane
Louisville, Kentucky 40218

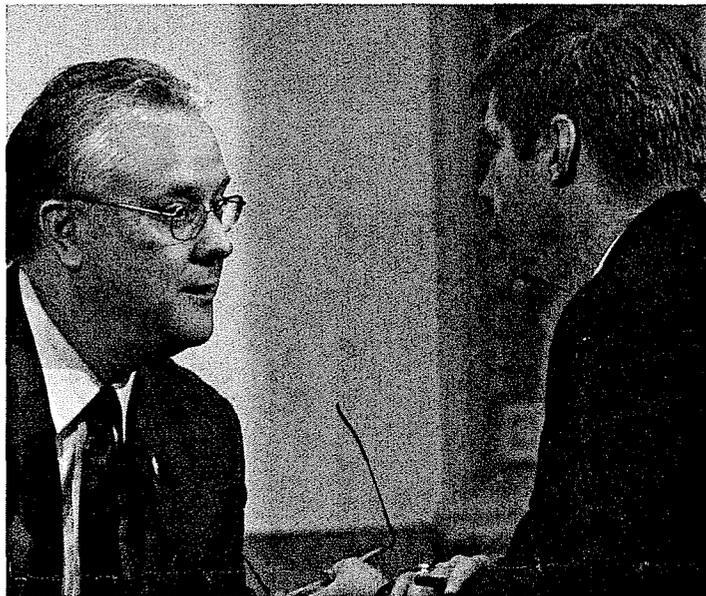
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Bill ces

rural areas served
by the co-ops.

The Supreme Court ruling raises questions about whether the thousands of current customers of those non-electric businesses will be able to continue to receive those services. For the future, the ruling would keep co-ops from helping their



communities solve local problems that might arise in years to come.

Faced with those current and future dilemmas, electric co-ops asked the legislature to consider amending the law to allow co-ops to provide nonelectricity related services. The result is House Bill 568.

Opposition to the bill could come from businesses fearing competition from electric co-ops. In its November-December 2005 newsletter, the Kentucky Propane Gas Association said it opposed any legislation that would allow electric co-ops to use income from their electric utility businesses to subsidize the operations of nonelectric businesses.

However, electric co-ops already follow laws that prevent such "cross-subsidization" (see "The truth about co-ops" in the From the Editor column on page 8). The non-electric operations are set up as separate business units that do not rely on money from the part of the co-op that provides electric utility service.

In addition, most nonelectric businesses set up by electric co-ops don't compete with any local business, says Ron Sheets, president of the Kentucky Association of Electric Cooperatives.

"Co-ops started providing these services because they weren't easily affordable or available in small-town and rural communities," says Sheets. "We feel strongly that this legislation will not result in unfair competition. What it will do is provide prices and services that electric co-op consumer-owners can't get any other way."

Text of the bill on electric co-op activities

A proposal to change state law takes a lot of twists, turns, and changes as it makes its way through the procedures of the Kentucky Legislature. But here is the language of HB 568, as it was introduced February 14—the new wording amends current law in order to allow co-ops to offer services in addition to electricity:

"Any three (3) or more individuals, partnerships, associations or private corporations a majority of whom are citizens of Kentucky may by executing, filing, and recording articles of incorporation as provided in KRS 279.030 and 279.040 organize to conduct a nonprofit cooperative corporation for the (1) Primary purpose of generating, purchasing, selling, transmitting, or distributing electric energy to any individual or entity, and providing any good or service related to generating, purchasing, selling, transmitting, or distributing electric energy to any individual or entity; and (2) Secondary purpose of engaging in any other lawful business or activity."

HEARING NOTICE

A public hearing will be held on Thursday, March 16, 2006, at 9:00 a.m., Eastern Standard Time, at the offices of the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky, to examine the application of the fuel adjustment clause of the following corporations for the period May 1, 2005, through October 31, 2005. Individuals interested in attending this hearing shall notify the Public Service Commission in writing of their intent to attend no later than March 13, 2006. If no notices of intent to attend are received by this date, this hearing will be cancelled. Written notice of intent to attend this hearing should be sent to: Beth O'Donnell, Executive Director, Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

Big Sandy RECC

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Blue Grass Energy Cooperative Corp.

Case No. 2005-00499

Clark Energy Cooperative

Case No. 2005-00500

Cumberland Valley Electric

Case No. 2005-00501

Farmers RECC

Case No. 2005-00502

Fleming-Mason Energy Cooperative

Case No. 2005-00503

Grayson RECC

Case No. 2005-00504

Inter-County Energy Cooperative

Case No. 2005-00505

Jackson Energy Cooperative

Case No. 2005-00506

Licking Valley RECC

Case No. 2005-00507

Nolin RECC

Case No. 2005-00508

Owen Electric Cooperative

Case No. 2005-00509

Salt River Electric Cooperative

Case No. 2005-00510

Shelby Energy Cooperative

Case No. 2005-00511

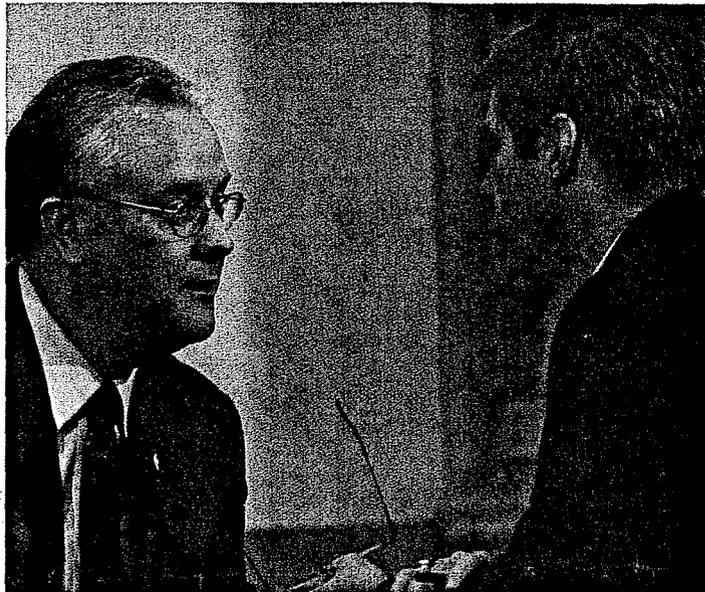
South Kentucky RECC

Case No. 2005-00512

Taylor County RECC

Case No. 2005-00513

Bill ces



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